

Independent assurance statement

Scope and approach

ABB Asea Brown Boveri Ltd (ABB) commissioned DNV GL Business Assurance Norway (“DNV GL”) to undertake independent assurance of the Sustainability Performance Report 2015 (the “Report”) for the year ended 31 December 2015. The scope of the Report is set out on page 69.

We performed our work using DNV GL’s assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including the AA1000 Assurance Standard, International Standard on Assurance Engagements 3000 (ISAE 3000), and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. We evaluated the report for adherence to the VeriSustain™ Principles (the “Principles”) of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability.

We evaluated the performance data using the reliability principle together with ABB’s data protocols for how the data are measured, recorded and reported. The performance data in scope were: The data reported for the GRI indicators noted in the summary table starting on page 62 (EN3 EN5 EN15 EN16 EN17 EN21(VOC) EN23 LA6) and the data reported for 2015 achievements against the nine Group Sustainability Objectives for 2020 (see objectives dashboard on pages 8-11 of the Report).

Our scope included all the information within the pdf version of the Report, but excluded additional information and case studies hyperlinked from the report, to illustrate the sustainability programme.

We understand that the reported financial data and information are based on data from ABB’s Annual Report and Accounts, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a ‘moderate level’ of assurance. A ‘high level’ of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Responsibilities of the Directors of ABB and of the assurance providers

The Directors of ABB have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of ABB; however our statement represents our independent opinion and is intended to inform all ABB stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL provides a range of other services to ABB, none of which constitute a conflict of interest with this assurance work. This is the second year that we have provided assurance of the full report. We have previously provided assurance services with respect to selected sustainability indicators for a number of years.

DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters and site level. We undertook the following activities:

- Review of the current sustainability issues that could affect ABB and are of interest to stakeholders
- Review of ABB's approach to stakeholder engagement and recent outputs although we had no direct engagement with stakeholders
- Review of information provided to us by ABB on its reporting and management processes relating to the Principles
- Interviews with selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the nine Group Sustainability Objectives for 2020. We also interviewed management responsible for sustainability in Brazil, China, Poland and Switzerland
- Site visits conducted in: Guarulhos, Brazil; Beijing, China; Lodz, Poland and Lenzburg, Switzerland to review the process and systems for preparing site level sustainability data and implementation of the sustainability strategy. We were free to choose the sites we visited and they were selected on the basis of the significance of their contribution to ABB's overall environmental impacts, to provide a geographical and divisional spread in 2015, and a different geographical footprint to the 2014 site visits. The selected sites were all within the top 20 sites for impacts based on the data in scope
- Review of supporting evidence for key claims and data in the report. Our checking processes were prioritised according to the materiality of issues at a consolidated corporate level
- Review of the processes at Group level for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe ABB's adherence to the Principles. In terms of reliability of the performance data, with the exception of consolidated data for lost days, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Observations

Without affecting our assurance opinion we also provide the following observations.

Stakeholder inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

ABB began working with a stakeholder panel at group level in 2015 which has strengthened its approach to stakeholder engagement. The statement from the panel is a positive addition and adds to the transparency of the report. The recommendations from the stakeholder panel are useful and include short and longer term points. In addition to addressing short term priorities, ABB should consider developing a roadmap for implementation of the longer term recommendations.

In addition, we recommend ABB consider extending its stakeholder engagement arrangements to more clearly include requirements with respect to local engagement. The outcomes of these engagements should be integrated into decision making at a global level.

Materiality

The process for determining the issues that are most relevant to an organisation and its stakeholders.

This year ABB sought input on the issues in its materiality matrix from the stakeholder panel, validating the priority issues it has identified. We restate our recommendation that ABB should report on the extent to which different material issues are relevant at local level across the organisation.

Management of the priority issues is well embedded within the business at a group and local level. However the connection between targets at a site, country and group level is not completely aligned, and there would be benefit in ensuring this is clearer.

Safety has again been an area of considerable focus for ABB with development of a number of new programmes to support the strategy. Reporting has been enhanced with the introduction of leading measures (hazards and safety observation tours) to support the existing lagging ones. Data accuracy in these indicators should improve as the systems become embedded.

ABB is planning to introduce peer to peer auditing programmes, initially in safety, to promote sharing and learning across operations. We recommend considering including performance data reviews in these to increase confidence in data reliability and consistency.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

The ABB Sustainability Board meets annually and provides senior oversight of the sustainability strategy and progress. It has the capacity to oversee the process of understanding and responding to strategic engagement with stakeholders. ABB should consider whether more frequent meetings would enhance oversight of the strategy and programme. Meetings should be timed to allow review of stakeholder input, as well as the annual sustainability performance report.

The group level objectives are not consistently focused on the key programmes and activities covered by the relevant issue areas. We support the recommendation made by the ABB Sustainability Board to enhance the overall governance of the development of targets and tracking of progress against them. This should include ensuring the targets represent an appropriate challenge for the organisation.

While the objectives dashboard (page 8-11) provides a useful indication of performance against targets, ABB should ensure that each target is specific and measurable and that associated KPIs report actual performance against each target.

ABB has sought feedback on its sustainability approach and reporting through the introduction of a stakeholder panel and the move last year to assurance that considers its overall approach, as well as data accuracy. Some of the recommendations made will take time to implement. It will be important in demonstrating responsiveness, to report on how the company has responded to feedback.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

ABB's reporting of performance including the disclosure of data is comprehensive. This gives stakeholders confidence that these aspects are managed appropriately.

ABB has improved the basis for calculating Scope 2 GHG emissions by using local emission factors rather than a single global emission factor. We recommend that local factors are reviewed annually to account for any changes in the energy mix.

Although ABB has a target for decreasing energy intensity, there is currently no target for reducing Green House Gas (GHG) emissions. We recommend establishing a target for reducing GHG emissions. We also recommend ABB expand on its preparedness to respond to the outputs from COP21.

The analysis of where ABB believes it can support the realization of the UN Sustainable Development Goals (SDGs) is encouraging and we look forward to seeing this developed further.

We restate our recommendation that ABB should consider reporting on tax and include additional indicators related to integrity and human rights, in addition to training and capacity building.

Neutrality

The extent to which a report provides a balanced account of an organisation’s performance, delivered in a neutral tone.

The section on challenges and progress adds to the overall balance of the report. Report users’ understanding of the context for these could be improved by providing further detail throughout the report in future.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

ABB has established a variety of process for collecting and consolidating the various data it reports. The company continued its well-established annual process for submission and approval of environmental data from its sites to a central database, including an annual training process for data owners at site level. For the environmental data in scope we saw evidence that the central team had undertaken further checks, and where necessary corrected data prior to consolidation. The Group intends to replace the existing database in 2016 which should further strengthen the reporting process.

The KPIs relating to the nine Group Sustainability Objectives have been internally developed and we restate our recommendation to report these definitions in future. Where data collection processes have already been established for reporting these KPIs, the processes were clearly described by data owners. We restate our recommendation to ensure these processes are documented for continuity.

Last year we noted that the data for CO₂ from transport by own fleet is an estimated figure, the basis for which has not been reviewed in the last 5 years. Given that this represents around 20% of the Group carbon footprint, we restate our recommendation that the basis for this estimation is reviewed.

This year, as last year, we noted a number of cases where data reported in the Global Incident Database (GID) were lower than local systems for lost days. We recommend considering how to raise visibility of this indicator at site and country level to improve accuracy of the consolidated global data.

For and on behalf of DNV GL Business Assurance Norway

Høvik, Norway

10th March 2016



Trine Kopperud
Assurance Services Manager
Nordic Countries
DNV GL AS



Anne Euler
Principal Consultant and Lead
Assuror
UK Sustainability
DNV GL – Business Assurance



Mark Line
Senior Principal Consultant and
Reviewer
DNV GL - Business Assurance

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